III. Detailed Notes On All Funds

Transfers

Net transfers by major funds are as follows (expressed in thousands):

Fund	Net Transfers In	Net Transfers Out
General	$ 0	$ 76,282
Social Services	726,704	0
Health & Environment	0	722,966
Transportation	0	39,927
Transportation-Capital Projects	0	213,342
Non-major Governmental	496,638	0
Unemployment Insurance	0	3,607
Health Care Stabilization	0	200
Non-major Enterprise Funds	0	161,707
Internal Service Funds	0	5,311
Total	$ 1,223,342	$ 1,223,342

Transfers are used to (1) move revenues from fund that the statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts and (3) use unrestricted revenues collected in a fund that is used to finance various programs and capital outlay projects accounted for in another fund in accordance with budgetary authorizations. Any transfers within the governmental funds or within the proprietary funds have been eliminated in the Government-Wide Statement of Activities.

H. Short-term Obligations

Short-term obligations at June 30, 2013, and changes for the fiscal year then ended (expressed in thousands) are as follows:

	6/30/2012 Beginning Balance	Additions	Deletions	6/30/2013 Ending Balance
Governmental Activities				
Certificates of Indebtedness	$ 0	$ 400,000	$ 400,000	$ 0
Accrued receivables:				
State Building Fund	0	42,835	42,835	0
Children's Initiatives Fund	0	39,059	39,059	0
Correctional Institution Building Fund	0	3,994	3,994	0
State Economic Development	0	21,291	21,291	0
Kansas Endowment for Youth Fund	0	211	211	0
Total short-term obligations	$ 0	$ 507,390	$ 507,390	$ 0

A Certificate of Indebtedness may be written and issued by the Pooled Money Investment Board (PMIB), an agency of the State, per K.S.A. 75-3725a. This occurs when it appears estimated resources are sufficient in the State General Fund (SGF) to meet the State's expenditures and obligations for that fiscal year, but may not be sufficient to do so in a particular month(s) when obligations are due. Once approval has been granted as prescribed in K.S.A. 75-

III. Detailed Notes On All Funds

3725a, the written Certificate of Indebtedness is issued by the PMIB subject to redemption from the SGF not later than June 30, immediately following the issuance of the indebtedness. No interest is accrued or paid. A Certificate of Indebtedness of $400 million was issued on July 1, 2012, and redeemed on June 7, 2013.

Per K.S.A. 76-6b11, on July 1 of each year ad valorem tax and receivables are posted to the State Treasurer's receivables for the State Buildings Fund. The receivable is reduced as the ad valorem taxes are received. In fiscal year 2013, $28.6 million was posted to the Kansas Educational Building Fund and $14.3 million to the State Institutions Buildings Fund. The receipts reduced the receivable to zero in June 2013.

Per Senate Bill 294, Section 72(g) of the 2012 Session, on July 1, 2012, receivables are to be posted to the State Treasurer's receivables for the Children's Initiatives Fund by an amount certified by the director of budget which is to be 65 percent of the estimated receipts during the year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2013 a receivable was posted for $39.1 million and was reduced to zero in April 2013.

Per Senate Bill 294, Section 72(i) of the 2012 Session, on July 1, 2012, receivables are to be posted to the State Treasurer's receivables for the Correctional Institutions Building Fund by an amount certified by the director of budget which is to be 80 percent of the estimated receipts during the year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2013, a receivable was posted for $4.0 million and was reduced to zero in February 2013.

Per Senate Bill 294, Section 72(h) of the 2012 Session, on July 1, 2012, receivables are to be posted to the State Treasurer's receivables for the State Economic Development Initiatives Fund by an amount certified by the director of budget which is to be 50 percent of the estimated receipts during the year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2013, a receivable was posted for $21.3 million and was reduced to zero in November 2012.

Per Senate Bill 294, Section 72(4) of the 2012 Session, on July 1, 2012, receivables are to be posted to the State Treasurer's receivables for the Kansas Endowment for Youth Fund by an amount certified by the director of budget which is to be 80 percent of the amount approved for expenditure during the fiscal year. The receivable amount is reduced as moneys are received into the fund. In fiscal year 2013, a receivable was posted for $211,000 and was reduced to zero in April 2013.

III. Detailed Notes On All Funds

I. Long-term Obligations

A summary of long-term obligations at June 30, 2013, for the fiscal year then ended is as follows (expressed in thousands):

	Governmental Activities	Business-type Activities	Component Units	Total
Revenue bonds payable	$ 3,132,458	$ 474,771	$ 619,256	$ 4,226,485
Less bonds payable on demand	(405,735)	0	0	(405,735)
Sales tax limited obligation bonds	28,381	0	0	28,381
Sales tax accretion bonds	111,281	0	0	111,281
Notes payable	63,100	0	262,421	325,521
Capital leases payable	97,515	0	11,991	109,506
Arbitrage rebate payable	136	196	49	381
Unemployment benefits loan	0	50,209	0	50,209
Claims	83,555	200,180	0	283,735
Judgments	18,830	0	0	18,830
Compensated absences	118,656	75	68,897	187,628
Other post employment benefits	55,079	378	56,415	111,872
Pollution remediation	63,575	0	0	63,575
Other	0	12,992	48,676	61,668
Total long-term obligations	$ 3,366,831	$ 738,801	$ 1,067,705	$ 5,173,337

III. Detailed Notes On All Funds

Long-term obligations at June 30, 2013, and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/2012 Beginning Balance	Additions	Deletions	6/30/2013 Ending Balance	Amounts Due In One Year
Governmental Activities									
Revenue bonds payable:									
KDFA Series 2003 H	2004	1.41 - 5.21%	2014	$ 40,250	$ 9,530	$ 0	$ 4,640	$ 4,890	$ 4,890
KDFA Series 2004 A-1, 2 &3	2004	2.00 - 5.00%	2024	44,920	31,255	0	2,030	29,225	2,120
KDFA Series 2004 C	2004	3.43 - 5.50%	2034	500,000	457,455	0	11,745	445,710	12,275
KDFA Series 2005 H-1, 2, 3, 4 &5	2006	3.25 - 5.00%	2032	88,175	67,685	0	4,530	63,155	4,755
KDFA Series 2006 A	2006	4.00 - 5.00%	2027	209,490	172,935	0	8,230	164,705	8,580
KDFA Series 2006 L-1, 2, 3	2007	4.00 - 4.25%	2026	13,210	9,880	0	745	9,135	775
KDFA Series 2007 F	2007	4.00 - 4.97%	2017	34,505	19,310	0	3,505	15,805	3,675
KDFA Series 2007 K-1, 2A, 2B, &3	2008	4.00 - 5.25%	2028	59,455	51,435	0	2,225	49,210	2,320
KDFA Series 2008 L-1, 2, &3	2009	2.00 - 5.25%	2029	43,265	38,570	0	1,670	36,900	1,730
KDFA Series 2009 A	2009	2.50 - 5.00%	2035	3,825	3,825	0	0	3,825	0
KDFA Series 2009 B	2009	5.00%	2019	515	515	0	0	515	0
KDFA Series 2009 F	2009	3.00 - 5.00%	2019	49,425	43,990	0	5,600	38,390	5,765
KDFA Series 2009 M-1&M-2	2010	3.00 - 6.31%	2035	89,765	84,225	0	2,765	81,460	2,865
KDFA Series 2009 N	2010	3.88 - 5.80%	2025	10,050	10,050	0	0	10,050	0
KDFA Series 2010 C	2010	5.00%	2020	52,755	47,970	0	5,025	42,945	5,275
KDFA Series 2010 E-1&E-2	2010	2.00 - 6.12%	2035	84,160	83,630	0	1,040	82,590	3,095
KDFA Series 2010 F	2010	1.58 - 6.25%	2032	18,400	17,105	0	1,315	15,790	1,345
KDFA Series 2010 O-1&O-2	2011	3.00 - 6.10%	2030	43,455	41,725	0	1,780	39,945	1,855
KDFA Series 2011 B	2012	2.00 - 4.13%	2031	53,780	51,100	0	1,930	49,170	1,985
KDFA Series 2011 K	2012	3.00 - 5.00%	2023	109,135	104,775	0	2,285	102,490	2,375
KDOT Series 1998	1998	3.65 - 5.50%	2014	189,195	11,465	0	0	11,465	11,465
KDOT Series 2002 B &C*	2003	3.39%	2020	320,005	299,030	0	40,295	258,735	22,520
KDOT Series 2003 A &B	2004	3.13 - 5.00%	2014	164,275	113,340	0	67,090	46,250	46,250
KDOT Series 2004 A	2004	4.50 - 5.50%	2023	250,000	250,000	0	173,765	76,235	0
KDOT Series 2004 B	2005	4.30 - 5.00%	2025	200,000	200,000	0	0	200,000	0
KDOT Series 2004 C*	2005	Variable	2025	147,000	147,000	0	0	147,000	0
KDOT Series 2008 A*	2008	3.36%	2016	150,870	150,870	0	150,870	0	0
KDOT Series 2009 A	2010	2.25 - 5.00%	2021	176,680	176,680	0	0	176,680	0
KDOT Series 2010 A	2011	4.60%	2036	325,000	325,000	0	0	325,000	0
KDOT Series 2012 A	2013	Variable	2016	151,365	0	151,365	0	151,365	23,075
KDOT Series 2012 B	2013	5.00%	2023	144,885	0	144,885	0	144,885	0
KDOT Series 2012 C	2013	4.00 - 5.00%	2033	200,000	0	200,000	0	200,000	0
								3,023,520	168,990
Less bonds payable on demand*				(705,985)	(596,900)		(191,165)	(405,735)	(22,520)
Plus deferred amounts:									
Net unamortized premium (discount)				0	65,847	85,738	17,929	133,656	0
Unamortized deferred refunding difference				0	(19,284)	(9,853)	(4,419)	(24,718)	0
Total revenue bonds payable				$ 3,261,825	2,470,013	572,135	315,425	2,726,723	146,470
Sales tax limited obligation bonds:									
1999 KISC	1999	4.20 - 5.25%	2028	18,182	16,264	0	498	15,766	547
2001 Project Area B	2001	4.00 - 5.10%	2021	21,270	12,754	0	12,754	0	0
400 Acres Refunding	2005	3.25 - 5.54%	2021	4,077	3,225	0	274	2,951	315
2nd Lien 2005 Turbo	2006	4.75 - 5.00%	2021	129,216	30,832	0	30,832	0	0
2012 Refunding bonds	2013	2.00 - 5.00%	2016	9,589	0	9,589	0	9,589	2,303
Salt Museum	2006	5.00%	2014	4,063	883	0	808	75	75
Total sales tax limited obligation bonds				$ 186,397	63,958	9,589	45,166	28,381	3,240
Notes payable:									
Water supply storage in Federal reservoirs				29,189	16,791	0	707	16,084	733
KDFA Bond Anticipation Note Series 2012-1				3,225	1,608	47,016	1,608	47,016	47,016
Total notes payable				$ 32,414	18,399	47,016	2,315	63,100	47,749
Capital leases payable					114,926	1,161	18,572	97,515	17,752
Sales Tax Limited Obligation-2010 B Accretion Bonds					128,087	7,585	24,391	111,281	0
Arbitrage rebate payable					136	0	0	136	0
Claims					88,501	408,941	413,887	83,555	42,673
Judgments					0	18,830	0	18,830	2,789
Compensated absences					120,131	0	1,475	118,656	59,393
Other post employment benefits					51,998	17,506	14,425	55,079	0
Pollution remediation					69,152	0	5,577	63,575	17,337
Total Governmental Activities					$ 3,125,301	$ 1,082,763	$ 841,233	$ 3,366,831	$ 337,403

III. Detailed Notes On All Funds

	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/2012 Beginning Balance	Additions	Deletions	6/30/2013 Ending Balance	Amounts Due In One Year
Business-type Activities									
Revenue bonds payable:									
KDFA Series 2001 I & II	2002	3.00 - 5.50%	2018	$ 124,540	$ 60,880	$ 0	$ 10,305	$ 50,575	$ 10,075
KDFA Series 2004 II	2004	4.92 - 5.25%	2023	45,140	26,480	0	18,045	8,435	2,710
KDFA Series 2004 1&2	2005	3.00 - 5.00%	2023	176,010	43,560	0	39,710	3,850	850
KDFA Series 2005 CW I & II	2006	3.00 - 5.00%	2027	118,860	82,345	0	23,985	58,360	10,040
KDFA Series 2008 CW I & II	2009	3.00 - 3.50%	2026	66,545	24,925	0	22,105	2,820	1,415
KDFA Series 2008 DW 1&2	2009	5.00%	2013	36,700	1,010	0	1,010	0	0
KDFA Series 2009 DW 1&2	2010	1.50 - 5.60%	2029	73,040	47,535	0	9,990	37,545	715
KDFA Series 2010 SRF 1,2 &3 (CW &DW)	2011	1.68 - 5.95%	2030	213,950	210,560	0	6,680	203,880	10,915
KDFA Series 2011 SRF DW 1&2	2011	2.00-4.20%	2032	53,380	53,380	0	85	53,295	270
KDFA Series 2005 TR	2006	3.00 - 5.00%	2026	32,690	22,150	0	2,195	19,955	2,265
KDFA Series 2006 TR	2007	4.00 - 5.00%	2027	24,755	16,320	0	1,835	14,485	1,855
KDFA Series 2008 G	2009	4.60 - 5.05%	2023	14,200	9,163	0	7,776	1,387	191
KDFA Series 2009 TR	2009	2.50 - 4.78%	2028	30,950	25,215	0	2,265	22,950	1,980
KDFA Series 2013 SRF	2013	0.50%	2014	2,666	0	2,666	0	2,666	2,666
Plus deferred amounts:									
Net unamortized premium (discount)				0	22,942	0	5,400	17,542	0
Unamortized deferred refunding difference				0	(26,312)	0	(3,338)	(22,974)	0
Total revenue bonds payable				$ 1,013,426	620,153	2,666	148,048	474,771	45,947
Arbitrage rebate payable					176	20	0	196	0
Unemployment benefits loan					4,602	90,209	44,602	50,209	50,209
Claims and judgments					199,234	946	0	200,180	18,510
Compensated absences					68	7	0	75	63
Other post employment benefits					343	86	51	378	0
Other					17,093	0	4,101	12,992	0
Total Business-type Activities					$ 841,669	$ 93,934	$ 196,802	$ 738,801	$ 114,729

III. Detailed Notes On All Funds

	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/2012 Beginning Balance	Additions	Deletions	6/30/2013 Ending Balance	Amounts Due In One Year
Component Units									
Revenue bonds payable:									
KDFA Series 2001B	2001	3.65 - 5.20%	2021	2,805	1,590	0	145	1,445	150
KDFA Series 2001D	2001	4.25 - 5.25%	2021	48,895	28,105	0	2,520	25,585	2,655
KDFA Series 2001J	2002	3.50 - 4.30%	2013	5,300	235	0	235	0	0
KDFA Series 2001N	2001	4.25 - 5.25%	2014	7,230	1,480	0	1,330	150	150
KDFA Series 2001S	2002	4.13 - 5.50%	2016	5,775	1,310	0	1,310	0	0
KDFA Series 2001W-1,3,4 &5	2002	3.00 - 5.00%	2022	44,470	14,530	0	13,545	985	90
KDFA Series 2002 A-1&A-2	2002	3.50 - 5.00%	2014	11,230	645	0	315	330	330
KDFA Series 2002 C	2002	3.00 - 5.00%	2022	15,830	9,900	0	9,900	0	0
KDFA Series 2002 H	2003	2.50 - 4.70%	2022	3,765	2,205	0	185	2,020	190
KDFA Series 2002 N-1$ N-2	2003	3.00 - 5.25%	2018	52,075	6,540	0	2,540	4,000	2,670
KDFA Series 2003 A-1&A-2	2003	1.80 - 5.50%	2023	2,610	1,725	0	120	1,605	130
KDFA Series 2003 C	2003	4.67 - 5.00%	2033	2,305	2,305	0	0	2,305	0
KDFA Series 2003 D-2	2003	2.00 - 4.70%	2028	1,150	585	0	70	515	75
KDFA Series 2003 J-1	2004	2.00 - 5.25%	2064	34,100	6,230	0	1,450	4,780	1,545
KDFA Series 2004 D	2005	3.00 - 4.75%	2020	1,195	795	0	90	705	90
KDFA Series 2004 G-1	2005	2.50 - 5.13%	2024	19,795	13,420	0	875	12,545	900
KDFA Series 2005 A	2005	3.00 - 5.00%	2035	44,535	39,090	0	1,010	38,080	1,050
KDFA Series 2005 D	2005	3.79 - 5.18%	2022	66,530	32,395	0	5,440	26,955	5,705
KDFA Series 2005 E-1&E-2	2005	3.00 - 5.00%	2030	19,360	16,230	0	610	15,620	630
KDFA Series 2005 F	2006	3.25 - 4.40%	2026	8,930	7,425	0	400	7,025	415
KDFA Series 2005 G	2006	3.30 - 4.60%	2026	7,205	6,245	0	340	5,905	355
KDFA Series 2006 B	2006	3.50 - 4.13%	2021	9,790	9,215	0	200	9,015	0
KDFA Series 2007 A	2007	3.75 - 4.39%	2037	27,750	25,195	0	600	24,595	620
KDFA Series 2007 E	2007	3.75 - 4.30%	2027	6,275	5,140	0	255	4,885	265
KDFA Series 2007 H	2008	3.60 – 4.50%	2037	17,855	16,435	0	390	16,045	400
KDFA Series 2007 M	2008	3.20 – 4.60%	2027	18,220	15,400	0	770	14,630	800
KDFA Series 2008 A	2008	3.00 – 4.00%	2016	20,000	10,000	0	2,500	7,500	2,500
KDFA Series 2008 D	2008	5.10%	2038	1,600	1,600	0	0	1,600	0
KDFA Series 2008 L	2009	2.00 - 5.25%	2029	21,070	18,860	0	780	18,080	810
KDFA Series 2009 C	2009	3.00 - 5.00%	2017	20,000	12,500	0	2,500	10,000	2,500
KDFA Series 2009 G	2009	2.50 - 4.75%	2024	825	685	0	45	640	50
KDFA Series 2009 H-1&H-2	2009	2.50 - 7.30%	2035	14,630	14,250	0	390	13,860	400
KDFA Series 2009 J-1&J-2	2009	2.50 - 7.00 %	2030	4,545	4,220	0	165	4,055	175
KDFA Series 2009 K-1&K-2	2010	2.63 - 5.63%	2040	6,140	6,140	0	110	6,030	115
KDFA Series 2009 M-1&M-2	2010	3.00 - 6.31%	2030	27,150	26,035	0	1,155	24,880	1,200
KDFA Series 2010 A	2010	2.00 - 4.05%	2030	23,700	22,460	0	645	21,815	670
KDFA Series 2010 B	2010	2.50 - 3.75%	2027	21,650	20,300	0	1,125	19,175	1,175
KDFA Series 2010 D	2010	3.12%	2015	1,315	900	0	220	680	225
KDFA Series 2010 G-1&G-2	2010	2.00 - 6.60%	2040	21,565	21,565	0	0	21,565	500
KDFA Series 2010 H	2010	2.00%	2016	1,530	1,030	0	255	775	260
KDFA Series 2010 J	2010	0.75 - 4.45%	2030	14,765	13,605	0	575	13,030	585
KDFA Series 2010 K-1&K-2	2010	2.00 - 6.20%	2035	15,050	12,770	0	1,125	11,645	745
KDFA Series 2010 M-1&M-2	2010	2.00 - 5.10%	2026	20,990	19,815	0	1,200	18,615	1,225
KDFA Series 2010 P-1&P-2	2011	2.00 - 5.00%	2031	15,930	15,310	0	630	14,680	645
KDFA Series 2010 U-1&U-2	2011	1.80 - 6.20%	2029	25,180	23,965	0	1,805	22,160	1,825
KDFA Series 2011 C	2011	2.00 - 4.50%	2036	13,450	13,065	0	370	12,695	375
KDFA Series 2011 D-1, 2 &3	2011	2.00 - 4.40%	2024	9,465	8,725	0	755	7,970	790
KDFA Series 2011 G	2012	0.50 - 4.13%	2041	16,300	15,590	0	360	15,230	360
KDFA Series 2012 A	2012	3.00 - 5.00%	2024	27,610	27,610	0	1,895	25,715	1,995
KDFA Series 2012 D	2012	2.00 - 4.50%	2029	49,200	49,045	0	1,580	47,465	1,625
KDFA Series 2012 F	2013	2.00 - 5.00%	2033	17,205	0	17,205	0	17,205	615
KDFA Series 2012 H	2012	2.00 - 5.00%	2034	35,970	35,970	0	465	35,505	80
Plus deferred amounts:									
Net unamortized premium (discount)				0	13,466	1,041	1,397	13,110	0
Unamortized deferred refunding difference				0	(6,714)	0	(565)	(6,149)	0
Total Revenue Bonds Payable				$ 931,815	667,137	18,246	66,127	619,256	40,660
Notes payable:									
Component units of university system					259,792	6,175	16,344	249,623	13,176
KDFA Bond Anticipation Note Series 2012-2					3,800	8,998	0	12,798	3,800
Total notes payable					263,592	15,173	16,344	262,421	16,976
Arbitrage rebate payable					46	3	0	49	0
Capital leases					11,761	1,972	1,742	11,991	1,463
Compensated absences					73,516	0	4,619	68,897	58,551
Other post employment benefits					48,078	10,472	2,135	56,415	0
Pollution remediation					1,200	0	1,200	0	0
Other					54,711	187	6,222	48,676	2,098
Total Component Units					$ 1,120,041	$ 46,053	$ 98,389	$ 1,067,705	$ 119,748

III. Detailed Notes On All Funds

The following table presents annual debt service requirements for those long-term debts outstanding, including bonds payable on demand, at June 30, 2013, which have scheduled debt service amounts (expressed in thousands):

	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
Revenue bonds:						
2014	$ 168,990	$ 131,492	$ 45,947	$ 22,146	$ 40,660	$ 26,256
2015	180,425	126,588	42,245	20,193	38,535	24,788
2016	171,870	121,958	43,184	18,172	39,150	23,266
2017	176,840	115,315	35,479	16,087	36,025	21,720
2018	180,980	108,333	36,284	14,390	35,040	20,170
2019-2023	995,350	404,454	161,694	48,764	174,425	77,566
2024-2028	520,850	208,307	89,770	17,069	136,410	41,913
2029-2033	385,255	116,657	25,600	2,098	71,375	17,864
2034-2038	242,960	16,310	0	0	34,940	5,473
2039-2043	0	0	0	0	5,735	412
Less bonds payable on demand	(405,735)	(86,180)	0	0	0	0
Unamortized premium	133,656	0	17,542	0	13,110	0
Unamortized deferred refunding	(24,718)	0	(22,974)	0	(6,149)	0
Totals	2,726,723	1,263,234	474,771	158,919	619,256	259,428
Sales tax limited obligation bonds:						
2014	3,240	1,346	0	0	0	0
2015	3,268	1,292	0	0	0	0
2016	3,384	1,224	0	0	0	0
2017	3,555	1,125	0	0	0	0
2018	1,168	1,049	0	0	0	0
2019-2023	6,123	5,021	0	0	0	0
2024-2028	7,643	7,310	0	0	0	0
2029-2033	0	0	0	0	0	0
Totals	28,381	18,367	0	0	0	0
Notes payable:						
2014	47,749	752	0	0	16,976	9,816
2015	761	607	0	0	24,388	9,369
2016	788	579	0	0	12,776	8,825
2017	817	550	0	0	18,942	14,997
2018	848	520	0	0	12,290	14,517
2019-2023	4,737	2,100	0	0	69,874	24,496
2024-2028	4,580	1,178	0	0	58,499	16,838
2029-2033	2,820	484	0	0	34,125	7,417
2034-2038	0	0	0	0	10,706	2,006
2039-2043	0	0	0	0	3,845	195
Totals	63,100	6,770	0	0	262,421	108,476
Capital leases payable	97,515	32,088	0	0	11,991	2,011
Long-term debt without scheduled debt service:						
Arbitrage rebate payable	136	0	196	0	49	0
Sales tax: accretion bonds	111,281	0	0	0	0	0
Unemployment benefits loan	0	0	50,209	0	0	0
Claims	83,555	0	200,180	0	0	0
Judgments	18,830	0	0	0	0	0
Compensated absences	118,656	0	75	0	68,897	0
Other post employment benefits	55,079	0	378	0	56,415	0
Pollution remediation	63,575	0	0	0	0	0
Other	0	0	12,992	0	48,676	0
Total long-term obligations	$ 3,366,831	$ 1,320,459	$ 738,801	$ 158,919	$ 1,067,705	$ 369,915

III. Detailed Notes On All Funds

Included in the debt service requirements to maturity table above are variable rate debt maturities for the Kansas Department of Transportation. For those variable rate bonds the following table represents the aggregate debt service requirements and net receipts/payments on associated hedging derivative instruments as of June 30, 2013. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their entire term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary.

(expressed in thousands)

Fiscal Year Ended June 30	Principal	Interest	Hedging Derivative Instruments (Net)	Total
2014	$ 45,595	$ 220	$ 14,286	$ 60,101
2015	113,405	208	11,767	125,380
2016	75,225	190	8,789	84,204
2017	38,145	170	7,037	45,352
2018	39,520	149	5,860	45,529
2019 - 2023	163,535	448	13,380	177,363
2024 - 2025	81,675	42	1,398	83,115
Total	$ 557,100	$ 1,427	$ 62,517	$ 621,044

General Obligation Bonds

The State does not have the statutory authority to issue general obligation bonds. However, the Legislature has authorized the issuance of specific purpose revenue bonds and other forms of long-term obligations.

Revenue Bonds

Kansas Development Finance Authority (KDFA) was created to enhance the ability of the State to finance capital improvements and improve access to long-term financing for State agencies, political subdivisions, public and private organizations, and businesses. The KDFA has issued numerous outstanding series of bonds. These revenue bonds are secured by and payable from various pledged revenues, which include selected tax receipts such as withholding taxes, fees for services such as parking and residential halls, and appropriations. Please reference Note III, Section I, Long-term Obligations, for KDFA revenue bonds and future principal and interest payments.

Kansas Department of Transportation (KDOT) has 14 outstanding series of Highway Revenue Bonds to finance part of the costs of construction, reconstruction, maintenance or improvement of highways in the State as part of the State's Transportation Works for Kansas (T-Works) Program. The State's T-Works Program was developed by KDOT after extensive study of the transportation needs in the State and was implemented by the 2010 Kansas Legislature. Principal and interest payments on these bond issues are paid from revenues collected in the State Highway Fund, which include motor fuels taxes, state sales taxes, compensating use taxes, and drivers' license and vehicle registration fees. KDOT also has four outstanding series secured by pledges of revenues from loans and leases. Please reference Note III, Section I. Long-term Obligations, above for KDOT revenue bonds and future principal and interest payments.

The coupon interest rate on outstanding bonds varies from 2.25 percent to 5.50 percent. In addition, various bonds were issued as variable rate instruments whose rates change on a weekly basis. During the year, interest rates ranged from 0.05 percent to 0.53 percent on the weekly adjustable bonds. The Series 2002 B and C, 2004 C and 2008 A bonds are subject to tender under certain conditions. If the tendered bonds cannot be remarketed, the liquidity provider has agreed to purchase the bonds and hold them for a maximum of 180 days. Through

III. Detailed Notes On All Funds

June 30, 2013, all bonds tendered have been remarketed. However, since there is not a long-term financing option in place at June 30, 2013, for these tendered bonds, these bonds have been recorded as obligations of the Transportation - Capital Project Fund resulting in a deficit fund balance in that fund.

Sales Tax Limited Obligation Bonds

In March 1998, the Unified Government of Wyandotte County/Kansas City, Kansas established the Prairie Delaware Redevelopment District (District). The District was created for development of a major tourism area, including the Kansas International Speedway. In connection with various projects in the District, the Unified Government has issued Sales Tax Limited Obligation Revenue Bonds (STAR bonds). Pursuant to issuance of the STAR bonds, the Unified Government and the State have entered into a Redevelopment District Tax Distribution Agreement. The agreement provides that the principal of, accreted value, and interest on the STAR bonds will be paid proportionally by the Unified Government and the State, based on each entity's respective share of sales taxes generated within the District. Prior to July 1, 2010, the State's proportional share was approximately 72 percent. Therefore, 72 percent of the outstanding obligation on each STAR bond issue was recorded with the State's long-term debt. This proportional share changed on July 1, 2010, with the increase of 1% in the State sales tax rate. The proportional share increased to 75 percent and the increase is reflected in the amounts recorded in the long term debt. In addition, the State's proportional share in the 2010 B bond issue is capped at $144.5 million.

In March 2006, the City of Hutchinson created the Underground Salt Museum Redevelopment District. The District was created for the development of the Kansas Underground Salt Museum as a tourist destination. The City issued Sales Tax Limited Obligation Revenue Bonds (STAR bonds). Pursuant to issuance of the STAR bonds, the City and the State have entered into a Redevelopment District Tax Distribution Agreement. The agreement provides that the principal of, accreted value, and interest on the STAR bonds will be paid proportionally by the City and the State, based on each entity's respective share of sales taxes generated within the District. Prior to July 1, 2010, the State's proportional share was approximately 83 percent. Therefore, 83 percent of the outstanding obligation on each STAR bond issue was recorded with the State's long-term debt. This proportional share changed July 1, 2010, with the increase of 1% in the state sales tax rate. The proportional share increased to 86 percent and the increase is reflected in the amounts recorded in the long term debt. Further details regarding STAR bonds may be found in the chart at the beginning of Note III, Section I. Long-term Obligations.

Special Obligation and Private Activity Bonds

Special obligation bonds have various revenue streams that are pledged for repayment of principal and interest. These bonds are special limited obligations of KDFA, where neither the principal of, redemption premium, if any, nor interest on these bonds constitutes a general obligation or indebtedness of, nor is the payment thereof guaranteed by KDFA or the State. Accordingly, such special obligation bonds are not included in KDFA's June 30, 2013, balance sheet. KDFA's special obligation bonds at June 30, 2013, total $2.3 billion.

Private activity bonds are special limited obligations of KDFA and are made payable solely from a pledge of the applicable trust estate that is comprised of a particular designated revenue stream of the borrower. Accordingly, such private activity bonds are not included on KDFA's June 30, 2013, balance sheet. KDFA's private activity bonds at June 30, 2013, total $2.0 billion.

Notes Payable

The Pooled Money Investment Board is authorized as directed by statute to loan funds from the State treasury to State agencies for various capital projects, the Unemployment Insurance Fund and finance the Expanded Lottery operations. These internal loans are recorded as loans receivable in the State treasury's cash balance in Note III, Section A, Deposits and Investments, and in corresponding amounts of notes payable in Note III, Section I, Long-term Obligations.

The Kansas Water Office is charged by statute to meet, as nearly as possible, the anticipated future water supply needs of the citizens of Kansas. The agency has executed several water supply storage agreements with the Federal

III. Detailed Notes On All Funds

Government over the past 38 years for water supply storage capacity in large Federal multipurpose lakes under the provisions of the 1958 Federal Water Supply Act. Nine of these agreements provide for long-term (fifty-year) repayment with interest of the costs incurred by the Federal Government in construction of the water supply storage space. The Kansas Water Office is authorized by K.S.A. 82a-934 to enter into such agreements, subject to legislative approval through appropriations. Generally, however, receipts from the sale of water to local municipal and industrial water supply users are adequate to make the annual payments due under the long-term contracts with the Federal Government. Portions of the storage in some reservoirs have been designated as "future use" storage, and as such; the State is not required to make payments on that portion of storage until it is needed by users. The State has not recorded a liability at June 30, 2013, for portions of the storage designated as "future use" storage.

Lease Commitments

The State leases office buildings, space, and equipment. Although the lease terms vary under a variety of agreements, most leases are subject to annual appropriations from the State Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, leases are considered non-cancelable for financial reporting purposes. Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures.

Operating Leases

The State has commitments with non-state entities to lease certain buildings and equipment. Future minimum rental commitments for building and equipment operating leases as of June 30, 2013 are as follows (expressed in thousands):

Fiscal Year		
2014	$	15,661
2015		13,838
2016		9,089
2017		8,616
2018		10,361
2019-2023		22,391
2024-2028		11,869
2029		451
Total future minimum lease payments	$	92,276
Rent expenditures/expenses for operating leases for the year ended June 30, 2013	$	10,916

Capital Leases

The State has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases and are reported as capital lease obligations. At the date of acquisition, the assets are valued on the Statement of Net Position at the present value of the future minimum lease payments. Interest expense for capital leases is not capitalized.

III. Detailed Notes On All Funds

The following schedule presents future minimum lease payments as of June 30, 2013 (expressed in thousands):

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest
2014	$ 17,752	$ 6,148
2015	12,262	3,751
2016	4,763	2,933
2017	4,756	2,724
2018	4,919	2,515
2019-2023	25,225	9,217
2024-2028	20,729	4,381
2029-2033	7,109	419
Total	$ 97,515	$ 32,088

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2013, include the following (expressed in thousands):

	Governmental Activities
Land (non-depreciable)	$ 9,510
Buildings	87,726
Software	18,381
Equipment	18,680
Less: Accumulated depreciation	(43,378)
Total	$ 90,919

Master Lease Purchase Program

The Master Lease Purchase Program, administered by the Department of Administration, provides low interest, equipment lease purchase financing and energy conservation project financing to State agencies. The Program began in 1985 with the issuance of Certificates of Participation and evolved into the current Program, which utilizes lines of credit. Lease purchase obligations under the Program are not general obligations of the State, but are payable from appropriations of State agencies participating in the Program, subject to annual appropriation. Financing terms of two years through fifteen years are available. The financing term should not exceed the useful life of the purchased item. The interest component of each lease/purchase payment is subject to a separate determination.

Defeasance of Debt

Primary Government

For financial reporting purposes, the State has in substance defeased certain bonds by issuing additional debt. Thus, the related liability and trust assets to pay the defeased bonds have been removed from the financial statements in the year of defeasance. Defeased debt at June 30, 2013, and changes for the fiscal year then ended are as follows (expressed in thousands):

III. Detailed Notes On All Funds

Bond Issue	6/30/2012 Beginning Balance	Current Year Defeased	Payments	6/30/2013 Ending Balance
Governmental Activities				
KDOT Series 1998	$ 34,265	$ 0	$ 22,245	$ 12,020
KDFA Series 2003 J	3,495	0	435	3,060
KDOT Series 2004 A	0	173,765	0	173,765
KDFA Series 2004 A	3,710	0	340	3,370
Total governmental activities	$ 41,470	$ 173,765	$ 23,020	$ 192,215

During fiscal year 2013, the governmental activity bond issue, $173,765 million KDOT Series 2004 A was currently refunded by the issuance of the KDOT Series 2012A and 2012B K for $173.8 billion. The current refunding resulted in an economic gain of $39.9 million and aggregate debt service reduction of $46.3 million.

Bond Issue	6/30/2012 Beginning Balance	Current Year Defeased	Payments	6/30/2013 Ending Balance
Business-type Activities				
KDFA Series 2001 I & II	$ 0	$ 0	$ 0	$ 0
KDFA Series 2002 II	71,765	0	71,765	0
KDFA Series 2002 1 & 2	0	0	0	0
KDFA Series 2004 II	13,220	0	0	13,220
KDFA Series 2004 2	91,370	0	4,900	86,470
KDFA Series 2008 CW II	38,895	0	0	38,895
KDFA Series 2008 DW 2	31,540	0	31,540	0
KDFA Series 2008 DW 1	21,345	0	0	21,345
Total business-type activities	$ 268,135	$ 0	$ 108,205	$ 159,930

Component Unit

For financial reporting purposes, the Kansas Development Finance Authority has in substance defeased certain revenue and lease revenue bonds by issuing additional debt. Thus, the related liability and trust assets to pay the defeased lease revenue bonds have been removed from the financial statements in the year of defeasance. Defeased debt at June 30, 2013, and changes for the fiscal year then ended are as follows (expressed in thousands):

Bond Issue	6/30/2012 Beginning Balance	Current Year Defeased	Payments	6/30/2013 Ending Balance
KDFA Series 2002 N	$ 28,040	$ 0	$ 28,040	$ 0
KDFA Series 2003 C	58,585	0	58,585	0
KDFA Series 2003 J-1	18,300	0	0	18,300
Total component units	$ 104,925	$ 0	$ 86,625	$ 18,300

Arbitrage Rebate Payable

Estimated arbitrage rebate payables have been calculated and liabilities recorded of $136 thousand for Governmental Activities, $196 thousand for Business-type Activities, and $49 thousand for Component Units.

III. Detailed Notes On All Funds

Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2013, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2013 financial statements are as follows debit (credit) (expressed in thousands):

	Change in Fair Value		Fair Value at June 30, 2013		
	Classification	Amount	Classification	Amount	Notional
Governmental activities					
Cash flow hedges:					
Pay-fixed interest rate swaps	Deferred outflow of resources	$ 11,933	Debt	$ (26,117)	$ 481,010
Investment derivative instruments:					
Pay-fixed interest rate swaps	Investment revenue	5,791	Investment	(7,050)	75,000
Basis swap	Investment revenue	216	Investment	5,506	75,000

KDOT engaged an independent party to perform the valuations and required tests on the swaps. Of the swaps that qualify for hedge accounting under GASB 53, the changes in fair value for this period are to be offset by a corresponding deferred inflow/outflow account on the statement of net position.

All pay-fixed swap transactions are associated with variable debt. Combining a pay-fixed receive-variable rate swap with variable debt results in what is termed "synthetic" fixed rate debt. It is called synthetic because the economics are similar to fixed rate debt, but another instrument is involved unlike regular fixed rate debt. Each time KDOT created synthetic fixed rate debt, a comparison and determination was made that the fixed rate on regular debt would have been higher than the fixed rate on the swap.

For all swaps, there are three main strategies KDOT pursues with respect to each transaction. Each swap can achieve one or more of these strategies. Then as a result of execution of the derivative, its value will change with respect to how prevailing rates on each reporting period compare to the projections of those future rates made when the derivative was put in place. The accumulated changes in fair value or total fair value of all the derivatives are a function of how prevailing interest rates and other market factors affect each transaction at each reporting period. Pursuant to GASB 53, each swap transaction is then evaluated to determine what type of accounting treatment to apply.

(i) Mitigate the effect of fluctuations in variable interest rates. This is the primary function of the swaps employed where KDOT pays a fixed rate, and receives a floating rate. In an interest rate environment whose level is generally higher than the rate at which KDOT is fixed, the swap would result in a positive value to KDOT. Correspondingly, in a lower rate environment than the rate at which KDOT is fixed, the swap would result in a negative value to KDOT. The value primarily depends on the overall level of interest rates on the reporting date compared to what KDOT pays. The overall level of long term interest rates from period to period is the primary driver of changes in value recorded from the investment derivatives where KDOT pays fixed and receives a floating rate. Interest rates have trended lower since inception of the pay fixed swaps than projected at the time when the swaps were entered into, therefore, the mark-to-market value is generally more negative to KDOT.

III. Detailed Notes On All Funds

(ii) Reduce interest expense by expected change between short and long term rates. This is the function of a swap where KDOT receives floating amounts based on a longer term index with the expectation of receiving an ongoing net benefit compared to short term rates paid on the variable bonds being hedged. Longer term interest rates, such as the 10 Year Constant Maturity Swap (CMS) Index, are generally higher than shorter term interest rates, such as a weekly rate, which KDOT pays on the variable bonds. Therefore, when shorter term interest rates came close to, or exceeded longer term rates, KDOT entered into a swap whose receipts on the floating leg are based on a longer term index that is expected to outperform the payments on KDOT's variable debt. Part of the fair value of this swap is determined by the prevailing level of short term versus long term rates, that is, the steepness of the yield curve. The higher the level of long term rates compared to shorter term rates, the higher the expected benefit to KDOT, therefore, the higher the mark-to-market value of the swap. KDOT pays a fixed rate on the swap transactions; therefore the other part of the value of this swap is determined by the prevailing level of interest rates compared to when KDOT entered into the swap transaction. Since interest rates have trended lower since inception, the mark-to-market value will be more negative to KDOT, even though KDOT may be receiving a net benefit from the receipts based on the 10 Year CMS Index. Since the long term index is expected to out-perform the short-term variable rate, the tests under GASB 53 deem such transactions investment instruments.

(iii) Reduce interest expense from expected benefit resulting from the difference between tax-exempt and taxable rates. This is a function of swaps where KDOT receives a percentage of 1-Month LIBOR when hedging tax-exempt variable debt, with the expectation of receiving an ongoing net benefit from paying a lower fixed rate at the time of putting on the swap transaction. The historical average ratio of 1-Month LIBOR (short-term taxable rates) versus tax-exempt rates, a direct function of tax rates, is approximately 67 percent, but the ratio of long-term taxable rates and long-term tax-exempt rates is normally significantly higher than 67 percent. Therefore, the fixed rate payable in exchange for a smaller percentage of LIBOR will be significantly less than a long-term tax-exempt fixed rate. This reduction in fixed rate is the value of the benefit, the risk being tax rates change over the life of the percentage of LIBOR swap, or the variable rates on KDOT's hedged bonds do not closely match the percentage of LIBOR variable rate on the swap. The value of such a swap is determined by the prevailing level of taxable interest rates, with no reference to tax-exempt interest rates.

The following table provides a summary of the basic terms of the swap agreements as of June 30, 2013 (expressed in thousands):

Associated KDOT Bonds	Initial Notional	Current Notional	Effective Date	Maturity Date	Rate Paid	Rate Received	Fair Value	Bank Counterparty	Counterparty Rating
Series 2002 B &C*	$ 200,000	$ 161,707	10/23/2002	9/1/2019	3.164%	67% of USD-LIBOR	$ (14,872)	Goldman Sachs Bank USA	A2/A-/A
Series 2002 B &C*	120,005	97,028	3/1/2012	9/1/2019	3.164% Contractual; 0.8166% GASB 64 At-the-Market	67% of USD-LIBOR	0	The Bank of New York Mellon	Aa1/AA-/AA-
Series 2012 A*	150,275	150,275	5/7/2012	9/1/2015	3.3590% Contractual; 0.2254% GASB 53 At-the-Market	71% of USD-LIBOR thereafter	(38)	Merrill Lynch Derivative Products AG	Aa3/AAA/NR
Series 2004 C*	147,000	72,000	11/23/2004	9/1/2024	3.571%	63.5% USD-LIBOR + 0.29%	(11,207)	Goldman Sachs Bank USA	A2/A-/A
Series 2004 C**	75,000	75,000	7/1/2007	9/1/2024	3.571%	62.329% of 10 Year CMS	(7,050)	Goldman Sachs Bank USA	A2/A-/A
Series 2004 B**	75,000	75,000	7/10/2007	9/1/2024	67% of USD-LIBOR	61.56% of 10 Year CMS	5,506	JPMorgan Chase Bank N.A.	Aa3/A+/A+
						Total Termination Value	$ (27,661)		

*- considered a fair value hedge
**- considered an investment derivative

III. Detailed Notes On All Funds

KDOT derivative instruments detailed discussion

Objective of the swaps. In order to protect against the potential of rising interest rates, KDOT has entered into four separate pay-fixed, receive-variable interest rate swaps at a cost less than what KDOT would have paid to issue fixed-rate debt.

Terms, fair values, and credit risk. The terms, including the fair values and credit ratings of the outstanding swaps as of June 30, 2013, are shown above. KDOT's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled or anticipated reductions in the associated bonds payable.

KDOT Series 2002B and C Swaps - In connection with the issuance of $320 million of variable-rate KDOT Series 2002B & C Highway Revenue Refunding Bonds, on October 3, 2002, KDOT competitively bid a floating-to-fixed 67 percent of LIBOR interest rate swap. Goldman Sachs was awarded $200 million of notional principal and Salomon Smith Barney was awarded $120 million of notional principal. The executed transaction consisted of a $320 million 17-year amortizing interest rate swap under which KDOT pays Goldman/Citibank a fixed rate of 3.164 percent and receives 67 percent of LIBOR. KDOT was able to take advantage of market conditions and effectively create fixed-rate debt at a rate lower than available in the traditional tax-exempt cash market.

On March 1, 2012, KDOT assigned with no termination payment due to or from KDOT, the Series 2002 B & C swap that was with Citigroup Financial Products Inc. as counterparty to The Bank of New York Mellon, a bank counterparty with stronger credit ratings. According to GASB 64, KDOT terminated hedge accounting on the swap with the prior counterparty, and adopted hedge accounting on the new At-the-Market swap with a fixed rate computed at prevailing interest rates on the day of termination, as the criteria for continuing hedge accounting with replacement swaps was not met (no default or termination event by the counterparty).

KDOT Series 2012A Swap (formerly 2008A, 2003C Swap) - In connection with the issuance of $150.3 million of variable-rate KDOT Series 2003C Highway Revenue Refunding Bonds, KDOT competitively bid a floating-to-fixed interest rate swap on November 20, 2003. The executed transaction consisted of a $150.3 million 12-year amortizing floating-to-fixed interest rate swap whereby KDOT pays the counterparty a fixed rate of 3.359 percent and receives the lesser of the Actual Bond Rate and 71 percent of one month LIBOR until September 1, 2010, and 71 percent of LIBOR thereafter. KDOT was able to take advantage of market conditions and effectively create fixed-rate debt at a rate lower than available in the traditional tax-exempt cash market.

On May 13, 2008, KDOT refunded the Series 2003C Bonds with KDOT Series 2008A Bonds. Under GASB 53, a refunding can be viewed as a termination of an existing hedging relationship, and a subsequent new hedging relationship is entered into between the swap and new bonds. This can result in a hybrid instrument that consists of an At-the-Market fixed rate swap with a pay fixed rate computed on the date of the refunding, and an imputed borrowing that is considered a cost of refunding, and therefore amortized over the shorter of the life of the new bonds or refunded bonds.

On May 7, 2012, KDOT assigned with no termination payment due to or from KDOT, the Series 2008 A swap that was guaranteed by Merrill Lynch Capital Services Inc. as counterparty to Merrill Lynch Derivative Products AG, a bank counterparty credit support provider with stronger credit ratings. According to GASB 64, KDOT terminated hedge accounting on the swap with the prior counterparty guarantor, and adopted hedge accounting on the new At-the-Market swap with a fixed rate computed at prevailing interest rates on the day of termination, as the criteria for continuing hedge accounting with replacement swaps was not met (no default or termination event by the counterparty).

On August 30, 2012, the Department refunded the Series 2008A Bonds with Series 2012A Bonds. Under GASB 53, a refunding can be viewed as a termination of an existing hedging relationship, and a subsequent new hedging relationship is entered into between the swap and new bonds. This can result in a hybrid instrument that consists of an at-the-market fixed rate swap with a pay fixed rate computed on the date of the refunding, and an imputed borrowing that is considered a cost of refunding, and therefore amortized over the shorter of the life of the new bonds or refunded bonds.

III. Detailed Notes On All Funds

KDOT Series 2004B and C Swaps - In connection with the issuance of $147 million of variable-rate KDOT Series 2004B and 2004C Highway Revenue Bonds, on November 12, 2004, KDOT competitively bid a floating-to-fixed interest rate swap. The executed transaction consisted of a $147 million 20-year amortizing floating-to-fixed interest rate swap whereby KDOT pays the counterparty a fixed rate of 3.571 percent and receives 63.5 percent of LIBOR plus 29 basis points. KDOT was able to take advantage of market conditions and effectively create fixed-rate debt at a rate lower than available in the traditional tax-exempt cash market.

Since many tax-exempt and municipal issuers fund capital projects with long-term traditional or synthetic fixed-rate debt, but are constrained to investing short-term for liquidity reasons, in a normal or upwardly sloped yield curve they incur "negative carry" (cost of borrowing exceeds investment rate). KDOT determined that it could mitigate this imbalance through the execution of the two Constant Maturity Swaps (CMS). On June 15, 2007, based on the results of a previously distributed competitively bid request for quotes for a swap provider, effective July 1, 2007, KDOT amended the floating index from 63.5 percent + 29 basis points to 62.329 percent of the 10-year LIBOR CMS rate on $75 million of the existing $147 million swap. On July 10, 2007, a CMS became effective on the previously unhedged 2004B series bonds so that KDOT pays Bear Stearns Financial Products Inc. ("BSFP") 67 percent of one-month LIBOR and receives 61.56 percent of the 10-year LIBOR CMS rate on $75 million. Following the merger of BSFP with and into JPMorgan Chase Bank N.A. ("JPM"), and an Assignment Agreement dated as of March 18, 2009, by and among BSFP, KDOT and JPM, the bank counterparty on this swap is now JPM.

Fair value. These fair values take into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that may have been received. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps.

Credit risk. As of June 30, 2013, KDOT has credit risk exposure to JPMorgan Chase Bank N.A. on the swap associated with the KDOT Series 2004B Revenue Bonds. This is because the transaction has a positive fair value, meaning KDOT is exposed to the counterparty in the amount of the derivative's fair value. However, should interest rates change and the fair value of the swap become negative, KDOT would not be exposed to credit risk.

KDOT has no credit risk exposure on the rest of the swap transactions because the swaps have negative fair values, meaning the counterparties are exposed to KDOT in the amount of the derivatives' fair values. However, should interest rates change and the fair values of the swaps become positive, KDOT would be exposed to credit risk.

The swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.

Basis risk. Basis risk is the risk that the interest rate paid by KDOT on underlying variable rate bonds to bondholders differs from the variable swap rate received from the applicable counterparty. KDOT bears basis risk on each of its swaps. The swaps have basis risk since KDOT receives a percentage of LIBOR to offset the actual variable bond rate KDOT pays on its bonds. KDOT is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate KDOT pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the swap may not be realized.

Termination risk. KDOT or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the respective contracts. If any of the swaps are terminated, the associated variable-rate bonds would no longer be hedged to a fixed rate. If at the time of termination the swap had a negative fair value, KDOT would be liable to the counterparty for a payment equal to the swap's fair value.